

Mobile World Group (MWG)

AM brief: Challenge on the horizon

On Aug 19, Mobile World Group (MWG) held the Analyst Meeting. The company presented to us the 1H22 results as well as the 2H22-2023 business plan.

MWG meets challenge to fulfill the earning guidance

- MWG's net revenue and net profit of 1H22 were VND70.8tn and VND2.6tn, up +16% yoy and +1% yoy respectively. The slower growth of net profit was mainly attributed to higher expenses for renovations of BHX stores. In July, MWG's revenue was VND11tn (+16% yoy), with TGDD&DMX revenue of VND8.4tn (+63% yoy) and BHX of VND2.35tn (-14% yoy).
- MWG is expected to meet the revenue target, however, it seems to be highly challenging to reach the net profit growth target of 34% as guided.

TGDD&DMX performance stayed positive in 1H22

- TGDD&DMX does not expect a soaring performance of ICT sales in 2H22 as compared to 2H21. However, as their market share was 50% in each of cellphone & electric appliance fields, they are confident of a larger share in 2023F.
- Topzone has a positive view of their future, according to MWG's high historical revenue of Apple products, with over USD400mn in 2021 and estimation of USD750mn/USD1bn in 2022F/2023F respectively. In the short-term, they expect the coming iPhone 14 with many upgrades in design and configuration to be the boost of sales in 4Q22F.
- MWG is also planning for the establishment of the first Era Blue stores in Indonesia in 4Q22F, hoping to beat local retailers thanks to the advantage of a focused supply chain, faster delivery, and better customer care.

12M rating **HOLD (Maintain)**

12M TP
Up/Downside

Stock Data

VNIndex (22 Aug, pt)	1,260
Stock price (22 Aug, VND)	66,500
Market cap (USD mn)	4,152
Shares outstanding (mn)	1,464
52-Week high/low (VND)	79,583/52,201
6M avg. daily turnover (USD mn)	10.62
Free float / Foreign ownership (%)	76.5/49.0
Major shareholders (%)	
Retail World Company Ltd	10.8
Tri Tam Company Ltd	9.9
Arisaig Asia Fund Limited	7.2

Performance

	1M	6M	12M
Absolute (%)	2.9	(2.9)	22.6
Relative to VNIndex (%p)	(2.5)	12.5	26.4

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	66,340	86,516	102,174	108,546	122,958
chg. (% YoY)	48.7	30.4	18.1	6.2	13.3
Operating profit (VND bn)	2,779	3,871	4,977	5,216	5,888
Net profit (VND bn)	2,206	2,879	3,834	3,918	4,899
EPS (VND)	6,959	6,490	8,657	8,650	6,861
chg. (% YoY)	(32.1)	(6.7)	33.4	(0.1)	(20.7)
EBITDA (VND bn)	3,469	5,094	6,420	7,412	8,809
PE (x)	18.9	20.2	15.2	15.2	19.2
EV/EBITDA (x)	13.0	12.1	10.3	8.2	11.3
PB (x)	7.0	6.5	4.8	3.8	4.6
ROE (%)	45.3	38.7	36.3	28.4	27.3
Dividend yield (%)	0.6	0.8	1.1	1.1	0.3

Ngoc Pham
ngoc.pt@kisvn.vn

Some positive signals from BHX's restructuring in July 2022

- By the end of 1H22, BHX had completed revising layout of 80% total stores. BHX's sale decrease in 2Q22 was explained by high base due to customers' stocking in 2Q21.
- According to the management, BHX is completing restructuring in 3Q22F, including: reducing the size and relocating stores, making redundant of some failed product lines, improving protocols of operation, utilizing customers' average shopping time, revising prices, optimizing machinery systems, logistics, and warehouse, upgrading new storage technology etc. Target revenue was expected to rise from VND1.2bn/month/store in June 2022 to VND1.3bn/month/store in 3Q22F.
- BHX currently has 1,735 stores, closed 400 stores compared to the beginning of year.
- BHX expects to meet BEP (Break-even point) in 4Q22F, before massively expanding the standardized store model in current operated cities in 2023F and potentially in other provinces in 2024F.
- BHX's management is working with an advisor related to the private placement no later than 1Q23F.

An Khang is boosting the energy

- By 15-Jul, An Khang has 500 pharmacies, planning to reach 800 stores by year-end.
- An Khang's GPM is over 20%, lower than 1Q22 due to recovery from Covid-19.
- An Khang has standardized the business model, with average revenue of VND400mn/store, came from sale of drugs (50%), medical equipment (25%), and supplement food (15%).
- They expect to meet the BEP in 4Q22F with the revenue per store of VND500mn. By optimizing small-size pharmacies, it's convenient for An Khang to expand fast, flexibly, and massively in 2023F.

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 22 Aug 2022.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 22 Aug 2022.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of Mobile World Group (MWG) and is the liquidity provider.

Prepared by: Ngoc Pham

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2022 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..